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SUBJECT: VOLGOGRAD: POLITICIANS CALM BEFORE ECONOMIC STORM,  
MARCH ELECTIONS

REF: MOSCOW 497

Classified By: Political Minister-Counselor Alice G. Wells  
for reasons 1.4 (b) and (d).

11. (C) Summary: A December 17-19 visit to Volgograd revealed politicians and observers focused on maintaining political stability amid the deepening economic crisis. One Regional Duma Deputy predicted the crisis will last for up to two more years, with regional production slipping by as much as 33 percent in 2009. Nonetheless, these same politicians cited a zero unemployment rate, job-creation plans, and funding from Moscow as factors that will maintain political and social calm. Some even argued that the crisis may fulfill long-sought goals of rebuilding the region's shambolic infrastructure. Rosy predictions did not extend to March regional elections, however, with United Russia regional leaders forecasting that the Communists would benefit slightly at the polls. Long-time governor Nikolay Maksyuta, whose term expires in December 2009, is widely expected not to receive a fourth term from the Kremlin, potentially opening a plum gubernatorial position for the defunct Agrarian Party. End Summary.

#### Politicians Predict Political Stability Amid Crisis

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12. (C) According to city and regional politicians, the deepening economic crisis poses a danger to regional industry, but no real threat to political and social order. In a December 18 meeting, United Russia Regional Duma Deputy Vitaliy Shestakov predicted that although "2009 will not be like 1998" and a default is highly unlikely, "there will be one and a half to two years of difficulties" in the region. When pressed on production levels, Shestakov acknowledged that overall regional production might slip by as much as 30-33 percent from 2008 to 2009. Further complicating matters, he added, will be an inflation rate that has already reached 17 percent in the region's urban areas and 30 percent in rural areas. Despite such downbeat numbers, Shestakov maintained ruling party optimism by assuring us that Volgograd residents would stand by United Russia, with only small electoral defections in the March elections (see para 6).

13. (C) Acting City Duma Chairman Aleksandr Mordvintsev, in a December 18 conversation, also focused on United Russia's buzzwords of "political stability." Although construction and private investment are slowing, Mordvintsev predicted that federal and regional budgets would step in to soften the blow. Assessing political fallout and public perception of the crisis, Mordvintsev admitted that the government had not explained the full economic situation to the general population because the government's priority was "to not cause panic," which he deemed successful since "there have not been any lines outside of banks" in Volgograd.

14. (C) Volgograd First Deputy Mayor Sergey Sokolov offered an

even sunnier perspective in a December 17 meeting, insisting that "there are only minor economic problems here in Volgograd." Sokolov proudly boasted that "Volgograd is a donor region" that annually allocates funds to poorer regions. Gesturing grandly to the under-renovation City Administration building where the meeting was being held, he assured, "You see, there is still much money here in Volgograd to continue working, to pay for everything." Political stability, he added, will "continue as normal."

#### March Elections: United Russia Pragmatic on Prospects

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15. (C) Surprisingly, United Russia leaders in Volgograd were not optimistic about their party's prospects in the upcoming March 1 regional parliamentary elections. 38 seats will be at stake, with 22 chosen from party lists and 16 from single-mandate voting. Regional Deputy Shestakov, noting that elections "will be difficult with the economic situation," predicted that United Russia would win 55 percent of the vote, while Acting City Duma Chairman Mordvintsev predicted just 50 percent - down from 60 percent in the last local election. Mordvintsev conjectured that the Communists would pick up the slack and increase their result to 25 percent, with LDPR and Just Russia splitting the remainder. Just Russia regional leader Sergey Klimenkov predicted implausibly in a December 18 meeting that his party would win 20 percent by poaching votes from the Communists. "Everything will depend on the economic situation," United Russia's Mordvintsev declared with a shrug. Shestakov confirmed that United Russia's troika of candidates heading its March ballot will be Olympic silver medalist Nataliya Lebedeva, First Deputy Governor Vladimir Kabanov, and

Regional Office Secretary Vitaly Likachev.

16. (C) Non-Duma parties have zero prospects in the March elections, according to United Russia leaders and other observers. General Director of the Volgograd office of the national daily Kommersant Dmitriy Grushevskiy declared that the elections "will not be free," due to onerous restrictions on opposition party registration and media access. Regional Deputy Shestakov noted that the Patriots of Russia Party may appear on the ballot, but in general all "non-Duma parties are not popular." (Note: Yabloko's admission to us on December 19 that it has only 340 members in the entire region backed up Shestakov's assessment.) Also, although some regional parliaments recently voted to reduce the number of members in their Dumas, Shestakov confirmed that Volgograd region will not follow suit.

#### Political Stability Pinned on Employment, Job Creation

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17. (C) Despite dire economic indicators, local leaders insisted that political and social stability would be ensured by low unemployment. Indeed, city and regional leaders denied that unemployment even exists in Volgograd. "Unemployment will not be a problem," remarked Regional Deputy Shestakov, noting that "there are thousands of job vacancies still throughout the region." Deputy Mayor Sokolov echoed this optimism, pinning the number of job vacancies at 17,000. Neither Shestakov nor Sokolov could account for how vastly decreased production will buttress existing employment, but they both proposed jobs programs should unemployment rise. Sokolov suggested creating jobs through massive infrastructure projects, "just like your new President Obama will do in America with repairing roads." Shestakov suggested creating jobs in the region's rural areas, concluding that "if people are working then they will not worry." Contradicting government claims of zero unemployment, Kommersant's Grushevskiy estimated the region's unemployment rate at 4 percent.

#### Governor May Lose Job to Agrarian

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18. (C) Three-term governor Nikolay Maksyuta has been a

moderately popular presence in Volgograd, where he governed as a Communist until his switch to United Russia in 2004 (reftel: Maksyuta's switch was only superficial, since he maintained his KPRF membership.) However, citing Maksyuta as a dinosaur out of step with the Kremlin, several United Russia leaders predicted President Medvedev will not re-nominate him when his third term expires in December 2009.

Shestakov confirmed that Maksyuta wants to continue as governor, but Shestakov, Mordvintsev, and Sokolov predicted this term would be his last. Kommersant's Grushevskiy called Maksyuta "weak" and pointed to Agrarian Party leader Vladimir Plotnikov as the front-runner to replace Maksyuta -- a prediction that Regional Deputy Shestakov said is "a good possibility." Also in the running will be Lyudmila Bogdarenko (head of a local insurance company and also from the defunct Agrarian Party) and Just Russia's Oleg Mikheev. (Note: The Agrarians voted to join United Russia in November 2008, so the governorship may be a sop to the regional Agrarians.)

#### Infrastructure: Extensive Funding on the Way

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¶9. (C) Several local leaders cited shambolic infrastructure as an additional drag on the region's economy. Deputy Mayor Sokolov summarized that the region needs at least 10-12 new major roads and a new bridge across the Volga. Aleksandr Mordvintsev explained that the bridge is being built with 90 billion rubles of federal and regional money, while the city will pay for additional roads and trams. Further needs include a 26 km highway, of which 12 km has been completed. According to Mordvintsev, PM Putin has promised other additional federal funding for regional infrastructure. One other major building project, funded by city and federal budgets and aimed at maintaining the regional capital's demographics, will be a new pre-natal center opening next year, free to patients who cannot afford its services.

#### Comment

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¶10. (C) The determinedly upbeat analysis we heard will be put to the test in the next few months as Russia's economic crisis hits home. The acknowledgment by Volgograd leaders that the region hopes to maintain employment levels even while production slips illustrates the unwillingness to allow a languishing economy to creep into the political sphere,

where voters might be tempted to vote against United Russia in the March elections. Faith in federal funding continues to buoy confidence that stability can be bought with jobs and public insistence that all will be well. Should economic difficulties lead to political instability before the March elections, that hoped-for federal intervention may arrive -- although in the form of more assertive party discipline, even tighter media and internet controls, and a new governor to enforce stability.

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